

Message Text

CONFIDENTIAL

PAGE 01 CAIRO 05913 141325Z

47/40

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

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O 141052Z JUN 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC NIACT IMMEDIATE 4578

C O N F I D E N T I A L CAIRO 5913

EXDIS

C O R R E C T E D C O P Y TO VERIFY PARA 1D (REF FIGURE OMISSION)

TELEGRAM CORRECT AS SENT PER ORIGINATOR, LE BILLION - THE LE
STANDS FOR LBS EGYPTIAN

E.O. 11652: GDS

TAGS: EAID EGEN USEGJC

SUBJECT: COMMENTS ON EGYPTIAN REVISION ON
STATEMENT ON EMERGENCY ASSISTANCE

REF: CAIRO 5192

1. DEPARTMENT WILL NTE THAT ABU ISMAIL'S REVISIONS
OF OUR DRAFT STATEMENT, WHILE LIMITED IN NUMBER, ARE
SUBSTANTIVELY SIGNIFICANT. THESE CHANGES ARE:

(A) PARAGRAPH THREE. HE HAS INCREASED FINANCING BY
FOREIGN ASSISTANCE GRANTS AND LOANS AND LONG TERM
SUPPLIER CREDITS FROM THE ESTIMATED LE 1,075 MILLION
TO LE 1,500 MILLION, REDUCING THE NET DEFICIT TO ABUT
LE 300 MILLION OR \$750 MILLION.

(B) PARAGRAPH FOUR. HE HAS SUBSTITUTED COOMPLETLY
DIFFERENT THOUGHT THAT GOE INTENDS TO NEGOTIATE
RESCHEDULING OF DEBT SERVICE OUTSTANDING AND PAYABLE
ON CIVIL LOANS OVER NEXT TWELVE MONTHS.

(C) PARAGRAPH FIVE. HE HAS ELIMINATED TWO SENTENCES
ON GOE CONSULTING WITH IBRD AND SEEKING IMF ADVICE
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AND INSERTED SUBSTITUTE SENTENCES QUOTE "MEASURES TO

IMPROVE THE MANAGEMENT AND ALLOCATION OF FOREIGN EXCHANGE ARE CURRENTLY UNDER CONSIDERATION IN CONJUNCTION WITH THE PREPARATION OF THE ANNUAL ECONOMIC PLAN AS WELL AS THE GOVERNMENT BUDGET FOR 1976...IN THIS CONNECTION EXCHANGE OF VIEWS HAS TAKEN PLACE BETWEEN APPROPRIATE MINISTERIES AND EXPERTS OF IMF AND IBRD.."

(D) PARAGRAPH SIX. HE HAS CHANGED OUR FIGURE OF LE BILLION TO THE \$1.4 BILLION CITED IN OUR PARAGRAPH THREE AND

(E) FINALLY, HE HAS INSERTED A NEW PARAGRAPH WHICH STATES QUOTE NO PART OF THE REQUESTED ASSISTANCE SHALL BE USED TO REPAY FOREIGN OFFICIAL DEBTS OR DEBT SERVICE THEREON. UNQUOTE

2. COMMENT: IT IS CLEAR THAT THE LETTER IS FILLED WITH INCONSISTENCIES AND THAT ANOTHER MEETING WITH ABU ISMAIL IS NECESSARY IF THE LETTER IS TO BE OF HELP TO US OR OTHER DONORS. WE HAVE TENTATIVE APPOINTMENT FOR TOMORROW MORNING. TWO POINTS IN HIS LETTER ARE HOWEVER, OF PARTICULAR CONCERN: FIRST, BY DELETING OUR PARA ON STEPS TO BE TAKEN TO REDUCE DEFICIT, HE HAS INDICATED UNWILLINGNESS TO COMMIT HIS GOVERNMENT, AT LEAST ON PAPER, TO SPECIFIC MEASURES WE BELIEVE ARE NECESSARY. HE HAS THUS BEEN LESS FORTHCOMING THAN PM SALEM IN LATTER'S LETTER TO IBRD (CAIRO 5572) WHICH LAID OUT FAIRLY EXPLICIT PROGRAMS WHICH WOULD BE UNDERTAKEN, ALTHOUGH THERE WAS NO DIRECT REFERENCES TO REDUCTIONS IN CAPITAL AND CONSUMER GOODS IMPORTS AS MENTIONED IN OUR DRAFT. SECONDLY, HIS STATED INTENT TO NEGOTIATE RESCHEDULING OF OFFICIAL DEBT AND HIS SUBSEQUENT STATEMENT THAT NO PART OF REQUESTED ASSISTANCE WILL BE USED TO SERVICE OR REPAY OFFICIAL DEBTS ARE DISTURBING. EILTS

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